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Budget 1998

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Department of Finance
Canada

Ministère des Finances
Canada

Canada

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The 1998 Budget: Overview

The government's plan for a strong economy and a secure society is paying off. With the budget deficit about to be eliminated, the next fiscal challenge is to bring down the debt.

- The 1998 budget continues sound economic and financial management, including a new debt repayment plan.
- It proposes the *Canadian Opportunities Strategy* to provide Canadians with greater access to the knowledge and skills needed for the job opportunities of the 21st century.
- This budget marks the beginning of general tax relief, starting with those who need it most. Over the next three years, \$7 billion in general and targeted tax relief will be provided, primarily to low- and middle-income Canadians.
- Eighty per cent of new spending initiatives in this budget reflect two of the highest priorities of Canadians – access to knowledge and skills, and support for health and education through increased transfers to provinces.



A Strong Economy

Eliminating the Deficit

- The budget will be balanced in 1997-98 for the first time since 1969-70.
- The budgets for 1998-99 and 1999-2000 will also be balanced. This will mark the first time in almost 50 years that the federal government will have balanced its books for three consecutive years.
- Using comparable measures, Canada has the best fiscal balance among the Group of Seven (G-7) countries.

Reducing the Debt Burden

- The remaining fiscal challenge is to bring down the debt burden. Although the debt-to-GDP ratio – what is owed relative to what is produced – has started to fall, it is still too high.
- In 1996-97, Canada's debt-to-GDP ratio recorded its first significant decline in 25 years, falling to 71.1 per cent from 71.9 per cent in 1995-96. This decline means that economic growth began to outpace the growth of the debt, thereby reducing the burden of the debt on the economy. The debt-to-GDP ratio will decrease again in 1997-98 and will continue to do so in 1998-99 and 1999-2000.

- The 1998 budget proposes to put the debt-to-GDP ratio on a permanent downward track by using a two-track strategy: continued investments to support strong economic growth, and a debt repayment plan that will bring down the absolute level of the debt.

The Debt Repayment Plan

The Debt Repayment Plan is based on three key elements:

- as before, two-year fiscal plans based on prudent economic planning assumptions; the current plan commits to balanced budgets in 1998-99 and 1999-2000;
- the inclusion in the fiscal plan of a Contingency Reserve of \$3 billion in each year; and
- the use of the Contingency Reserve, when it is not needed, to pay down the public debt. By 2000-01, up to \$9 billion in debt could be repaid.

Inflation Targets

To preserve the gains of low inflation, the federal government and the Bank of Canada have agreed to extend the current inflation control targets – which are to hold inflation inside the 1- to 3-per-cent range – until the end of 2001. Together with the sound public finances now in place, this will help maintain the low interest rates that have revived job creation and economic growth in Canada.

The Canadian Opportunities Strategy

This budget builds on actions taken in previous budgets to provide Canadians with greater opportunities to acquire the knowledge and skills needed to access better jobs now and in the future. The proposed *Canadian Opportunities Strategy* will make the knowledge and skills Canadians will need for better jobs and a better life in the 21st century more accessible and affordable.

The Strategy takes action on seven fronts by:

- providing more than 100,000 students with *Canada Millennium Scholarships* averaging \$3,000 a year, and up to 25,000 students who are in financial need and have children or other dependants with new *Canada Study Grants*;
- increasing assistance for advanced research and for graduate students through increased funding for the three granting councils;
- helping graduates manage their student debt loans by providing tax relief on interest payments on student loans, and through improvements to the Canada Student Loans Program;
- helping Canadians upgrade their skills throughout their working lives by allowing tax-free withdrawals from their registered retirement savings plans (RRSPs) for lifelong learning, and by extending the education tax credit and the child care expense deduction to part-time students;

- ensuring that families can better save for their children's future education by providing stronger incentives through a new *Canada Education Savings Grant* – a grant of 20 per cent on the first \$2,000 of contributions made each year to registered education savings plans (RESPs);
- supporting youth employment by more than doubling funding for youth at risk who lack basic education and job skills, and by providing employers with an employment insurance premium holiday for additional young Canadians hired in 1999 and 2000; and
- increasing funding for SchoolNet, the Community Access Program, and the Canadian Network for the Advancement of Research, Industry and Education (CANARIE) to help bring the benefits of information technology into more classrooms and communities across Canada.



A Secure Society

The 1998 budget also proposes new initiatives to help build a secure society including:

- support for families with children through a further increase in the Canada Child Tax Benefit;
- additional help for families with child care expenses;
- support for individuals caring for infirm or elderly family members;
- assistance for persons with disabilities;
- assistance for unincorporated self-employed individuals who pay health and dental insurance premiums;
- support for communities and the voluntary sector;
- measures to address environmental challenges; and
- resources to further international co-operation.

The budget confirms funding for commitments made in *Securing Our Future Together* and for other policy initiatives announced over the past year including funding to:

- renew Canada's blood system in partnership with the provinces;
- implement the international treaty on the prohibition and destruction of anti-personnel landmines;
- build a new partnership with aboriginal peoples; and
- support Canadian culture.



General Tax Relief for Canadians

This budget marks the beginning of general tax relief, starting with those who need it most – low- and middle-income Canadians.

- The amount of income that low-income Canadians can receive on a tax-free basis will be increased by \$500, taking 400,000 low-income Canadians off the tax rolls completely.
- The 3-per-cent general surtax will be eliminated for almost 13 million taxpayers with incomes up to about \$50,000, and reduced for an additional one million taxpayers, earning between \$50,000 and about \$65,000.

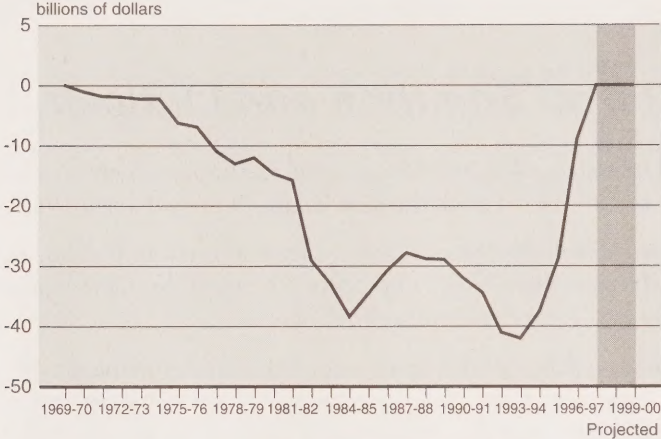
Overall Fiscal Impacts

- New initiatives announced in this budget amount to \$2.6 billion for 1997-98, \$1.8 billion in 1998-99, \$3.2 billion in 1999-2000 and \$4.1 billion in 2000-01.
- Funding for other initiatives announced since the 1997 budget, including those listed in *Securing Our Future Together*, totals \$828 million in 1997-98, \$1.7 billion in 1998-99 and to \$1.9 billion in each of 1999-2000 and 2000-01.
- Of the \$10.9 billion in new spending, \$4.7 billion (or 43 per cent) will go to the *Canadian Opportunities Strategy* and \$4.1 billion (or 38 per cent) will go to increased funding for health and education through cash transfers to provinces under the Canada Health and Social Transfer (CHST). This means that about \$9 billion or 80 per cent of all spending initiatives reflect two of the highest priorities of Canadians – access to knowledge and skills, and increased support for health and education through increased transfers to provinces.
- General and targeted tax relief total \$7 billion over the next three years, primarily for low- and middle-income Canadians.

Canada's Fiscal Situation and Outlook

- The budget will be **balanced** in 1997-98, a dramatic improvement on the \$42 billion deficit recorded in 1993-94. This is the first balanced budget since 1969-70.
- For 1998-99 and 1999-2000, the government is committed to back-to-back **balanced** budgets. This will mark the first time in nearly 50 years that the federal government will have balanced its books for three consecutive years.
- In 1996-97, Canada's **debt-to-GDP** ratio recorded its first significant decline in 25 years by falling to 71.1 per cent from 71.9 per cent in 1995-96. This decline means that economic growth began to outpace the growth of the debt, thereby reducing the burden of debt on the economy. The debt-to-GDP ratio will decrease again in 1997-98, and will continue to do so in 1998-99 and 1999-2000 when it is projected to fall to about 63 per cent. The goal is to put the debt-to-GDP ratio on a permanent downward track.
- **Financial requirements** – the amount of new money the government has to borrow – have been eliminated after reaching a peak level of \$34.5 billion in 1992-93. In fact, the government recorded a small financial surplus (\$1.3 billion) in 1996-97. This means that, for the first time in 27 years, the government did not have to borrow new money on financial markets to pay for its programs or for interest on the debt. With this budget's commitment to balanced budgets, there will be ongoing financial surpluses through to 1999-2000.
- Financial requirements or **financial surplus** is the measure by which many other industrialized countries, including the United States, calculate their budgetary balance. Using this measure, Canada is the only Group of Seven (G-7) country to have already balanced its books.
- Financial surpluses also mean that the federal government can now start to pay down its **market debt** – the total of past borrowing. In fact, from April to December 1997, the government repaid \$12.9 billion in market debt.
- Even with the new spending initiatives proposed in this budget, **federal program spending** will continue to decline relative to the size of the economy. In 1993-1994, total program spending as a percentage of the economy (GDP) stood at 16.6 per cent. By 1999-2000, it will have declined to 11.5 per cent – its lowest level in about 50 years.
- Most of the increase in **budgetary revenues** between 1993-94 and 1997-98 was due to a growing economy and more Canadians being employed. The general and targeted tax relief initiatives proposed in this budget will restrain the growth in budgetary revenues over the next two years.

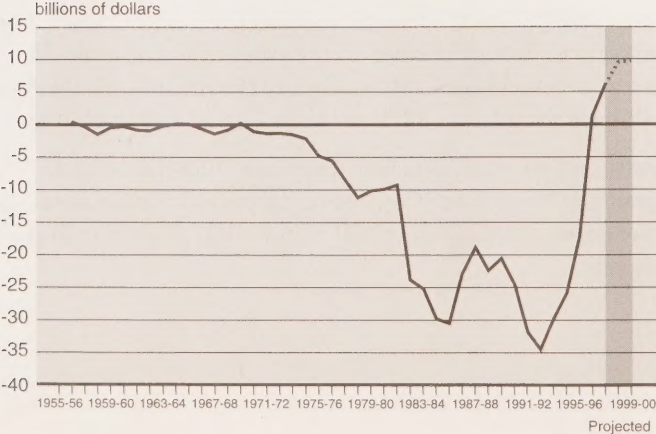
Budgetary balance/surplus
(public accounts basis)



Federal government net debt
(public accounts basis)



Financial requirements(-)/surplus(+)
(public accounts basis)





Canada's Economic Situation and Prospects

The Canadian economy is in better shape now than it has been in 25 years. And the dramatic turnaround we are experiencing is especially evident in strong growth and job creation.

- The **economy grew** at a strong annual rate of 4.1 per cent in the third quarter of 1997 for a fifth consecutive quarter of solid growth. Final figures, to be available in early March, are expected to show that the Canadian economy grew by over 3½ per cent in 1997, the strongest pace since 1994.
- **Job creation** has rebounded strongly. More than one million jobs have been created since the end of 1993 – 372,000 new jobs were created in 1997 alone – all full-time and in the private sector. Despite the temporary loss of jobs due to the ice storm in eastern Canada, overall employment was unchanged in January.
- In December, the **unemployment rate** fell to 8.6 per cent – its lowest level since September 1990.
- **Interest rates** have decreased substantially – due in large part to sound economic and financial management.
 - **Short-term rates** fell about 5½ percentage points between early 1995 and mid-1997. Although short-term rates have risen since mid-1997, they are still over 3½ percentage points below their early 1995 levels. Canada's short-term rates have been lower than U.S. rates for close to two years, the first such sustained period since the early 1970s.
 - **Long-term rates** have continued to ease, with the 10-year rate now down more than 4 percentage points since early 1995. A full percentage point of this decline has occurred since mid-1997.
- **Inflation** has been at its lowest sustained level in three decades. The year-over-year Consumer Price Index (CPI) inflation rate for all items in December 1997 was 0.7 per cent.
- **Consumer confidence** rebounded in 1997. According to the Conference Board of Canada, consumer confidence is near its highest level in the decade and above its average for the last 30 years. This has been reflected in strong growth in **consumer spending** on durable goods such as motor vehicles and household equipment.
- **Housing starts** increased to 147,000 units in 1997, a gain of over 22,000 units from 1996.

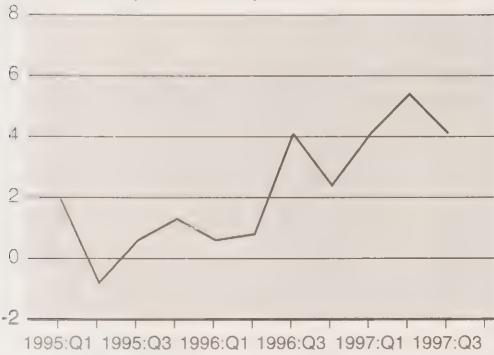
- **Business confidence** achieved record levels in 1997. **Business investment in plant and equipment** has increased strongly for five consecutive quarters, averaging 19.4 per cent at an annual rate. The **rate of capacity utilization** in non-farm sectors rose to 86.2 per cent in the third quarter, posting its highest rate since 1988 and more than 4 percentage points above its historical average.
- Reflecting significant growth in demand for imported goods such as machinery and equipment, import growth in 1997 outpaced export growth. Although the **trade surplus** has decreased and the **current** account has moved back into deficit, strong investment is adding to productive capacity, improving the competitiveness of the Canadian economy, and setting the stage for continued strong growth and job creation.

Canada's economic prospects remain bright as well.

- Private sector forecasters expect **economic growth** to remain strong this year at 3½ per cent. This would make 1997 and 1998 the best back-to-back economic performance in 10 years. The outlook for 1999 is similarly encouraging with growth for 1999 projected at almost 3 per cent.
- **Short-term interest rates** are expected to remain very low by historical standards, although private sector forecasters now expect interest rates to be somewhat higher in 1998 than forecast around the time of the October *Economic and Fiscal Update*.
- **Long-term interest rates**, on the other hand, are expected to be somewhat lower than previously forecast reflecting continued fiscal progress, as well as the absence of significant inflationary pressures in the Canadian and world economies.
- Private sector forecasters also expect that strong growth and other positive economic factors will fuel continued job creation bringing the **unemployment rate** to an average of about 8½ per cent in 1998, and just over 8 per cent in 1999.
- These favourable assessments of Canada's economic prospects are shared by major international organizations. Indeed, both the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) expect that **Canada will lead the Group of Seven (G-7) countries in output and job growth** in 1998.
- The 1998 budget continues to base fiscal planning on more **prudent projections** than those provided by the private sector consensus.
 - A prudence factor of 80 basis points has been applied to **short-term interest rates** in 1998, along with 50 basis points for **long-term rates**. For 1999, both are assumed to be 100 basis points higher than the private sector forecasts.
 - **Nominal GDP growth** is assumed to be half a percentage point lower than the private sector forecast for 1998, and a full percentage point lower for 1999.

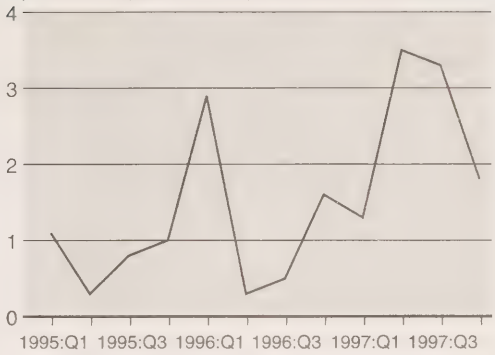
Real GDP growth

per cent – quarter over quarter at annual rates



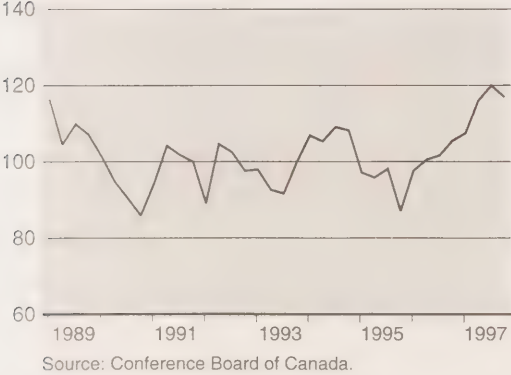
Employment growth

per cent – quarter over quarter at annual rates



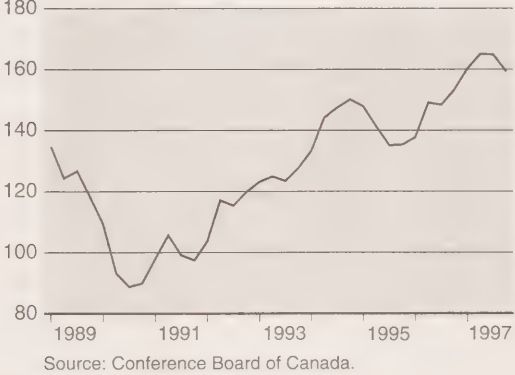
Consumer confidence

1991 = 100



Business confidence

1991 = 100



Canada Millennium Scholarships

The key to growth and jobs in the years ahead is access to knowledge and skills. If Canadians are to prosper and achieve high living standards in the 21st century, then they must be equipped to fill the jobs of tomorrow.

This government believes that there is no better investment in the future than investments in education, knowledge and innovation. That is why it is making the single largest investment ever by a federal government to support access to post-secondary education for all Canadians – the Canada Millennium Scholarships.

Helping 100,000 Students Annually

The Canada Millennium Scholarship Foundation will manage an initial endowment of \$2.5 billion and provide scholarships to more than 100,000 Canadians annually, beginning in the year 2000.

- Scholarships will be awarded to persons who need help financing their studies and who demonstrate merit.
- For full-time students, scholarships will average \$3,000 a year; part-time students will also be eligible.
- Scholarships will be available for up to four academic years (or 32 months) of study towards undergraduate degrees, diplomas or certificates.
- Individuals can receive up to \$15,000 – reducing the debt load many recipients would otherwise incur by over half.
- Awards will help recipients of scholarships to study away from home, particularly outside their province, and support limited terms of study abroad.

An Arm's-Length Foundation

- Legislation will be introduced to create the Canada Millennium Scholarship Foundation as an independent body to manage the endowment and to award scholarships.
- The Foundation will be managed by a board of directors comprised of private citizens, at least one of whom will be a student. The Council of Ministers of Education, Canada – representing provincial governments as well as the post-secondary education community – will have a role in identifying directors.

- The Foundation will decide how best to design the scholarships within the mandate they are given by legislation. It will also have the discretion to adjust the average amounts of scholarships over time, as well as the total a person can receive.
- Once established, the Foundation will consult closely with provincial governments and the education community on the design and delivery of the scholarships. The goal will be: to award scholarships by the Foundation to individuals in a manner that avoids duplication with any province, to build on existing provincial needs assessment processes, to complement existing provincial programs and, most importantly, to significantly increase access to post-secondary education everywhere in Canada for low- and middle-income students.
- The Foundation will have the authority, subject to mutually agreed needs, merit and mobility criteria, to contract with appropriate provincial authorities for the selection of those recipients in a province to whom the Foundation will award Canada Millennium Scholarships.



Opportunities for Canadians of All Ages

Canadians of all ages – studying full- or part-time in publicly funded universities, community colleges, vocational and technical institutes and CEGEPs – will be eligible for scholarships.



Building Canada for the 21st Century – The Canadian Opportunities Strategy

Canada Millennium Scholarships are part of the *Canadian Opportunities Strategy* designed to make knowledge and skills more accessible so that Canadians are better able to find and keep jobs that deliver higher standards of living in the 21st century. The Strategy takes action on seven fronts to:

- promote access to post-secondary education by helping students in financial need cope with rising costs;
- increase assistance for advanced research and for graduate students undertaking research;
- help individuals repaying student loans – especially those in financial hardship;
- help Canadians upgrade their skills throughout their working lives;
- help families save for their children's education;
- encourage employers to hire young Canadians and help young people make the transition to work; and
- help bring the benefits of information technology into more classrooms and communities across Canada.

Tax Relief for Canadians

With an improving fiscal situation over recent years, the government has been able to offer targeted tax relief where the need was greatest and the social and economic payoff was the largest – for working parents with low incomes, charities, students and the disabled.

Now that the budget is balanced, and we are beginning to repay the debt borrowed in private markets, the government is in a position to do even more. The 1998 budget continues the policy of providing targeted tax relief and also begins the process of general tax relief, starting with those who need it most – low- and middle-income Canadians. Over the next three years, \$7 billion in tax relief will be provided to those Canadians.



Beginning General Tax Relief

The 1998 budget proposes two new measures that will provide general income tax relief for low- and middle-income Canadians. Taken together, these measures will provide close to \$1.4 billion in tax relief to 14 million low- and middle-income Canadians by 1999-2000 – 90 per cent of all taxpayers.

Increasing Tax-Free Income

- Beginning July 1, 1998, the amount of income that low-income Canadians can receive on a tax-free basis will be increased by \$500.
- This measure will take 400,000 Canadians off the tax rolls and reduce taxes for an additional 4.6 million Canadians.

Eliminating the General Surtax for Most Canadians

- Beginning July 1, 1998, the 3-per-cent general surtax will be eliminated for Canadians with incomes up to about \$50,000.
- As a result, 13 million taxpayers will no longer pay any federal surtax. Another one million Canadians will see a significant reduction in their surtax liability.

Providing Progressive Tax Relief

These measures provide a very progressive distribution of tax relief. It recognizes the need to begin lowering taxes for those who need it most – Canadians with low- and middle-incomes.

As a result of these two measures, single people earning \$30,000 a year will see their tax burden reduced by 3.0 per cent, while singles earning \$50,000 a year will receive a 2.4-per-cent tax reduction. For families, taxes will fall by 3.3 per cent at \$50,000. A family with an annual income of \$30,000 will get a 31-per-cent reduction in taxes with its total federal income taxes falling to about \$300 – or about 1 per cent of income.



Continuing Targeted Tax Relief

Enriching the Canada Child Tax Benefit

- To help build toward a National Child Benefit System, the 1997 budget allocated \$850 million to create an enriched and simplified Canada Child Tax Benefit.
- To further support children in low-income families across Canada, the 1998 budget proposes to increase the Canada Child Tax Benefit by an additional \$850 million. This enrichment will be made in two steps: an increase of \$425 million annually beginning in July 1999, and a further increase of \$425 million annually commencing in July 2000.
- The federal government will announce details of the enrichment after discussions with provincial and territorial partners and Canadians.

Increasing the Child Care Expense Deduction

To help working Canadians with children, the 1998 budget proposes to increase the limit on the child care expense deduction.

- Beginning in 1998, the limits for the child care expense deduction will increase from \$5,000 to \$7,000 for children under age 7, and from \$3,000 to \$4,000 for children between the ages of 7 and 16. This measure will benefit some 65,000 Canadian families with children.

Assisting Self-Employed Canadians with Health and Dental Premiums

- To improve equity in the treatment of self-employed Canadians, owner-operators of businesses will now be able to deduct health and dental premiums against their business income.

Helping Individuals Care for Family Members

Many Canadians provide care and support for family members who are elderly or disabled. Currently, caregivers receive tax assistance through the infirm dependant credit. The 1998 budget proposes:

- a new **caregiver credit** that will reduce federal tax up to \$400 for Canadians caring for an elderly parent or a family member with disabilities. This measure will increase or extend tax assistance to some 450,000 caregivers; and
- a **tax exemption for caregivers**, related to the goods and services tax and the harmonized sales tax, for expenses incurred from the service of providing temporary care to a person who, by reason of infirmity or disability, has limited means of self-care.

Improving Access to Knowledge and Skills

The 1998 budget proposes a *Canadian Opportunities Strategy* to help expand access to knowledge and skills Canadians will need for jobs and higher standards of living.

Tax measures include:

- tax relief for interest payments on student loans;
- tax-free registered retirement savings plan (RRSP) withdrawals for lifelong learning; and
- an education credit and child care expense deduction for part-time students.

Increasing Support for Emergency Service Volunteers

- To support the thousands of Canadian volunteers who provide essential emergency services, the tax-free allowance for volunteer firefighters will be doubled – from \$500 to \$1,000.
- This allowance will also be extended to all other emergency service volunteers, effective January 1, 1998.

Building A Secure Society

The 1998 budget proposes new initiatives to help build a secure society including:

- support for families with children through a further increase in the Canada Child Tax Benefit;
- additional help for families with child care expenses;
- support for individuals caring for infirm or elderly family members;
- assistance for self-employed individuals who pay health and dental insurance premiums;
- support for communities and the voluntary sector;
- measures to address environmental challenges; and
- resources to further international co-operation.

The budget also provides funding for commitments made in *Securing Our Future Together* and for other policy initiatives announced over the past year including:

- improvements to Canada's health care system through increased health and social transfers to provinces;
- funding to help build a new partnership with aboriginal peoples;
- resources to promote international co-operation through the treaty banning anti-personnel landmines; and
- increased support for Canadian culture.

Increased Support for Families with Children

- To help build toward a National Child Benefit System, the 1997 budget allocated \$850 million to create an enriched and simplified Canada Child Tax Benefit.
- To further support children in low-income families across Canada, the 1998 budget proposes to increase the Canada Child Tax Benefit by an additional \$850 million. This enrichment will be made in two steps: an increase of \$425 million annually beginning in July 1999, and a second increase of \$425 million annually commencing in July 2000.
- The federal government will announce details of the enrichment after discussions with provincial and territorial partners and Canadians.

Helping Families with Child Care Expenses

- The budget proposes to increase the limit on the child care expense deduction from \$5,000 to \$7,000 for children under age 7, and from \$3,000 to \$4,000 for children age 7 to 16.

Helping Individuals Caring for Family Members

For individuals caring for a child or adult with disabilities, or for elderly family members, the 1998 budget proposes:

- a new caregiver credit that will reduce federal tax up to \$400; and
- a tax exemption for caregivers, related to the goods and services tax and the harmonized sales tax, for expenses incurred from the service of providing temporary care to a person who, by reason of infirmity or disability, has limited means of self-care.

Assisting Self-Employed Canadians with Health and Dental Premiums

- To improve equity in the treatment of self-employed Canadians, owner-operators of businesses will now be able to deduct health and dental premiums against their business income.

Support for Communities and the Voluntary Sector

- To support the thousands of Canadian volunteers who provide essential emergency services, the tax-free allowance for volunteer firefighters will be doubled – from \$500 to \$1,000. This allowance will also be extended to all other emergency service volunteers, effective January 1, 1998.
- To expand the technological capacity of the voluntary sector, funds will be allocated for Voluntary Sector Network Support. This initiative will allow 2,500 voluntary organizations a year to be linked to the Internet and to each other.

Addressing Environmental Challenges

To address environmental challenges, the 1998 budget:

- provides \$150 million over three years for climate change initiatives; and
- an increase of \$34 million annually for the National Research Council's Industrial Research Assistance Program (IRAP) to help small and medium-sized businesses foster strategic innovation and implement state-of-the-art technologies and approaches for using energy, water and and natural resources more efficiently and for preventing pollution.

Improving Canada's Health Care System

- As a result of the government's improved fiscal performance, the first and largest expenditure it made was to introduce legislation to increase the Canada Health and Social Transfer (CHST) cash floor from \$11 billion to \$12.5 billion. The 1998 budget confirms this expenditure that will provide provinces with nearly \$7 billion more in cash from 1997-98 to 2002-03.
- It also confirms resources totalling \$211 million over five years for the National HIV/Aids Strategy and \$60 million over two years to renew Canada's blood system.
- To promote advanced medical research and graduate study, an additional \$134 million is being allocated to the Medical Research Council over the next three years.

Building a New Partnership with Aboriginal Peoples

- The 1998 budget confirms funding for *Gathering Strength*, the federal response to the Royal Commission on Aboriginal Peoples. A \$350 million fund has been set aside for a *Healing Strategy* to help address the legacy of abuse in residential schools. Another \$126 million has been allocated to new and expanded aboriginal programs.

Promoting International Co-operation

- To help meet the goals of the treaty banning anti-personnel landmines, Canada will contribute \$100 million over the next five years.
- The government will also devote an additional \$90 million to the International Assistance Envelope in 1997-98. These funds will be used to pay for 1998 commitments to international organizations and thus free up resources for initiatives in the areas of environment, health, youth and governance. The budget also allocates an additional \$50 million to international assistance for 1998-99 and will free up resources for such initiatives.

Supporting Canadian Culture

- The Canada Television and Cable Production Fund has been an unqualified success, supporting quality Canadian television programs and some 19,600 full- and part-time jobs across Canada. To maintain the Fund at \$200 million annually, the budget confirms increased funding of \$50 million for 1998-99, and \$100 million for 1999-2000 and 2000-01.

Youth Employment

Governments have a responsibility to help young Canadians find the tools they will need to succeed. To do its share, the federal government has established programs and measures that focus on developing the knowledge, skills and work experience today's young people must have to become full participants in a changing knowledge-based economy.

The **Youth Employment Strategy**, announced in 1997, helps young Canadians find the critical first job that bridges the gap between school and work.

- **Youth Service Canada** helps unemployed young Canadians get work experience in community projects. The program is a success: one year after completing their work experience, about 85 per cent of participants find work – mostly permanent, full-time jobs – or return to school.
- **Youth Internship Canada** helps young Canadians get that first 'foot in the door' with employers.
- **Summer career placements** give other young Canadians work experience with governments and private companies.

SchoolNet and the Community Access Program have also done a lot for young Canadians by linking Canadian schools, First Nations schools, public libraries and rural communities to the Internet – a vital tool in helping more people access knowledge and learn about on-line resources and applications.



Proposed Budget Measures

The 1998 budget builds on these foundations by proposing new measures to encourage youth employment.



Supporting Youth Employment

This budget supports youth employment by more than doubling funding for youth at risk, principally those who have not completed high school. The government will invest an additional \$50 million in 1998-99, \$75 million in 1999-2000 and \$100 million a year thereafter. Through partnerships with employers' organizations and non-profit groups, funds will be used for on-the-job training, career counselling, mentoring and literacy upgrading, where required.



Encouraging Employers to Hire Young Canadians

Youth unemployment concerns all Canadians. And while governments have a role to play in helping to tackle this serious issue, they cannot solve the youth unemployment problem alone. Many private sector employers are already responding to this challenge by providing opportunities for young Canadians.

To provide further encouragement, the 1998 budget proposes to provide employers with an employment insurance (EI) premium holiday for additional Canadians age 18 to 24 hired in 1999 and 2000. This measure will reduce payroll costs for employers by about \$100 million a year in 1999 and 2000.



Making Knowledge and Skills More Affordable and Accessible

The 1998 budget also builds on actions taken in previous budgets to provide Canadians with greater opportunities to acquire the knowledge and skills needed for jobs – both now and in the future.

For Canadians of all ages, the *Canadian Opportunities Strategy* will make knowledge and skills more affordable and accessible by:

- helping graduates manage their student debt loads by providing tax relief for interest payments on student loans, and improving the Canada Student Loans Program to help individuals facing financial difficulties;
- helping Canadians upgrade their skills through their working lives by allowing tax-free withdrawals from their registered retirement savings plan (RRSP) for lifelong learning;
- providing over 100,000 Canadians with *Canada Millennium Scholarships* averaging \$3,000 a year;
- providing *Canada Study Grants* of up to \$3,000 a year for needy students with children or other dependants;
- introducing *Canada Education Savings Grants* to help families save for their children's education by supplementing new contributions made to registered education savings plans (RESPs);
- supporting advanced research and graduate students through increased funding to the three granting councils;
- providing education credits and child care expense deductions for part-time students; and
- bringing the benefits of the information age into more classrooms and communities across Canada.

By increasing access to learning, the federal government is building a stronger economy and a more secure society for the 21st century.



Expanding SchoolNet and the Community Access Program

The government will invest \$205 million over three years to ensure that more Canadians continue to benefit from the learning opportunities made possible by today's computer-driven information technology.

- **SchoolNet** will continue to help Canadian children develop computer literacy by refurbishing donated computers for schools, linking First Nations classrooms and communities to the Internet, and supporting the development of multimedia learning-ware - software that give students access to an expanding universe of learning.
- The **Community Access Program** will create an additional 5,000 Internet access sites in urban neighbourhoods across Canada. This – along with the 5,000 rural access sites currently being established – will bring the number of community access sites across Canada to 10,000.

